



Alberta Pensions Services Corporation
Annual Report

The Future is Now 2018



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MISSION AND VALUES

Our vision

Relentlessly pursuing excellence in pension benefits administration, to serve those who serve Albertans.

Our mission

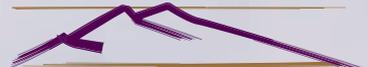
As a pension benefits administrator serving Albertans, we are knowledgeable, caring professionals committed to guiding the pension experience, delivering the highest standard of accurate, cost-effective service.

2

WHO
WE ARE.....
WHAT
WE DO**Who we are**

APS was incorporated in 1995 under Alberta's *Business Corporations Act* with the Government of Alberta as the sole Shareholder. APS guides the pension experience on behalf of seven public sector pension plans and two supplementary plans:

Lapp | Local Authorities
Pension Plan


Public Service Pension Plan

MEPP
management employees pension plan

 **SFPP**

- Supplementary Retirement Plan for Public Service Managers (SRP)
- Public Service Management (Closed Membership) Pension Plan (PSM(CM)PP)
- Provincial Judges and Masters in Chambers (Registered) Pension Plan
- Provincial Judges and Masters in Chambers (Unregistered) Pension Plan
- Members of the Legislative Assembly Pension Plan (MLAPP)

What we do

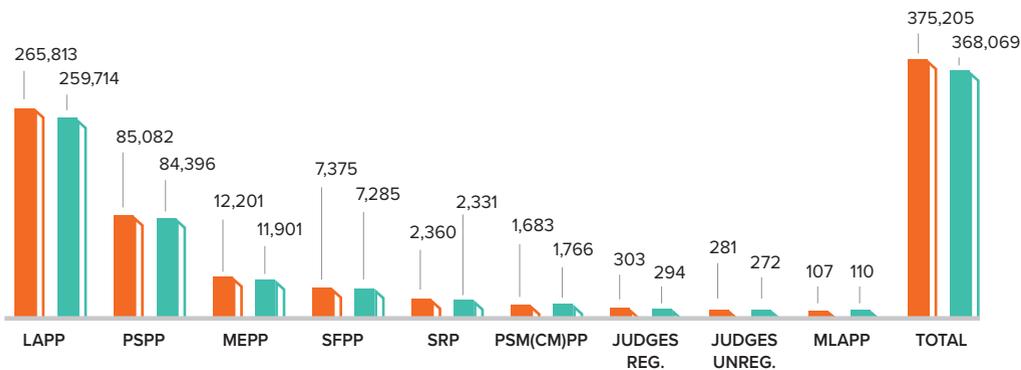
We provide pension benefits administrative services to nearly **500** participating employers across Alberta. We also provide pension-related services to over **375,000** members and pensioners around the world. We manage over **\$6 billion** in pension plan funds annually through receipts and disbursements to and from employers, members and other pension plans. Some of the trusted pension services we provide include:

- Contributions management
- Member, pensioner and employer information management
- Member, pensioner and employer communications
- Benefit calculations
- Benefit disbursements
- Plan Board support services
- Policy development and implementation
- Communications design and delivery
- Compliance, regulatory and plan financial reporting

WHO WE SERVE

Members and Pensioners by Plan

■ 2018 ■ 2017

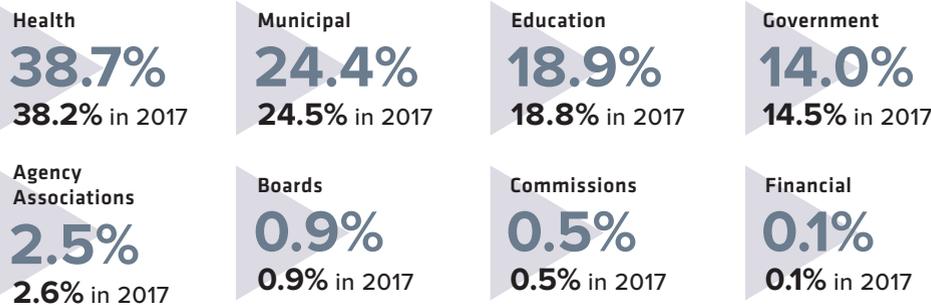


Number of Employers



*Primarily due to employer amalgamations

Members of the Plans by Sector



Average pensionable service at retirement:



2018: 20.73 years
2017: 21.04 years

Number of pensioners
100 years or older:



2018: 51
2017: 25

New members and members
returning to a plan:



2018: 22,308
2017: 20,496

Message from the Board Chair

COLIN P. MACDONALD

On behalf of the Corporate Board, I am pleased to present the APS Annual Report for the year ended December 31, 2018.

The year saw APS pass the 100,000 pensioners-served mark, and it ushered in great change to public pensions in Alberta. In 2018, APS' talented workforce and strong leadership team, led by President and CEO Darwin Bozek, successfully prepared for joint governance, made great strides in client service and set the foundation for the future. The Board thanks all APS staff for their hard work and commitment to our vision, mission and values.

The Board would also like to recognize the contributions of departed Board Chair Rosemarie McClean for her strategic guidance and governance expertise. She was Chair of the Board for nearly two years and a Director for 10 years. The Board welcomed new members Shannon Patershuk, representing the Management Employees Pension Plan, and independent director Brenda McInnes.

The Board is accountable to the Shareholder, Alberta's President of Treasury Board and Minister of Finance, to ensure that the Corporation meets its mandate. The Board provides strategic direction to the Corporation and evaluates and approves strategic plans, business plans and budgets. The Board monitors corporate performance measures and ensures APS demonstrates that its administration services and costs compare favourably with its peers and provides the best value for its clients.

The Board also provides ongoing monitoring and oversight strategies for APS' comprehensive and proactive risk management program, including its internal audit function. In 2018, the Board focused on supporting the organization's efforts to ensure stability, reliability and resiliency, and we participated in an incident response exercise.

We look forward to 2019 and APS' focus on the reliability of core services, innovation and operational excellence, as demonstrated in the commitments of the 2019-2021 Business Plan. In the coming year, the Board and management will work hard to ensure that our strategies align with the expectations of our clients—and will define us as a top-tier service provider.

Sincerely,

[Original signed by]

COLIN P. MACDONALD, Q.C.

Chair, Board of Directors



“APS...successfully prepared for joint governance, made great strides in client service and set the foundation for the future.”

“We continue
to build an
organization
of leaders who
exhibit our
core values.”



Message from the CEO

DARWIN BOZEK

The future is now. That's because, at APS, we're looking forward, not back. We're searching for innovative solutions, not seeing roadblocks. And we're pursuing opportunities to get even better, not granting gateways to just "good enough."

Put simply, we're pursuing excellence in the services and value we deliver to our clients.

This vision was critical in 2018 as we prepared for the transition of several public sector pension plans to a joint governance structure. The prospect of joint governance delivered opportunity, and we worked closely with our staff and our clients—the pension plans—to position ourselves for a bright future.

Joint governance is just one of the changes in Alberta's evolving pension landscape. Other changes include advances in technology, shifting demographics and changing service expectations. All of this is transforming the way we do business. Thankfully, the dedicated staff we have at all levels inspire optimism, and they spark future-focused ambitions. They're communicating, collaborating and committed to serving our clients and stakeholders. They're committed to embracing opportunities to excel in our service delivery. They're driving the change—I'm just holding the map.

Last year demonstrated our success navigating this changing pension landscape. Our cost per member has been consistently below our peer average, while our total service score now exceeds the peer median and continues to trend up—our number one priority is a high standard of service at a reasonable cost. Our employee engagement score now sits above the Canadian average, and it's moving in the right direction. We made strides in automation, allowing staff to add value for our clients. And our industry-leading analytics dashboard—launched in 2018—allows us to track the most crucial items on our Corporate Scorecard day-by-day—we hit the mark.

While we've had many successes, we continue to face challenges. We're not perfect, but we strive for excellence. We aim for operational excellence, always keeping in mind our core values: Service, Quality and Accountability. To that end, we work with purpose and intent. We strive to be a strategic business partner providing exceptional service to our clients, their members, pensioners and employers.

Our corporate pride spreads outside our walls, too. Nearly 50 of our staff donated 119 units of blood to Canadian Blood Services, our best showing ever and more than double the year before. We collected more than 12,000 pounds of food and nearly \$20,000 for the Edmonton Food Bank. And we took part in the 2018 Edmonton and area Corporate Challenge. In our first year of competition, we took third place.

We continue to build an organization of leaders who exhibit our core values. We demonstrate our ability to make strategic business decisions, innovating solutions for our clients and harnessing technology to automate processes and enhance services.

APS will provide top-tier service and become an invaluable, strategic partner in our clients' success.

The future brings change and demands innovation; our ambition delivers success and remains bold.

Sincerely,

[Original signed by]

DARWIN BOZEK, CPA, CGA

President and Chief Executive Officer

MANAGEMENT'S DISCUSSION & ANALYSIS





Overview

This management's discussion and analysis (MD&A) section reports on the results and financial condition of APS for the year ended December 31, 2018. The MD&A presents APS as viewed through the eyes of management by interpreting material trends and uncertainties affecting the results and financial condition of the Corporation. As APS is a service organization operating on a cost-recovery basis, the number one priority is a high standard of service at a reasonable cost. Our focus is on effective and efficient management of resources rather than income-producing activities. We endeavour to be vigilant in setting measurable result targets to ensure we remain accountable to our Shareholder and our clients.

The MD&A contains forward-looking statements about expected future events and financial operations. By their nature, forward-looking statements are subject to inherent risks and uncertainties, and require assumptions, which may not prove to be accurate. The MD&A should be read in conjunction with the financial statements and accompanying notes. The accounting standards used in the preparation of our financial statements are the Canadian public sector accounting standards (PSAS). All amounts are in Canadian dollars.

Focused on Service

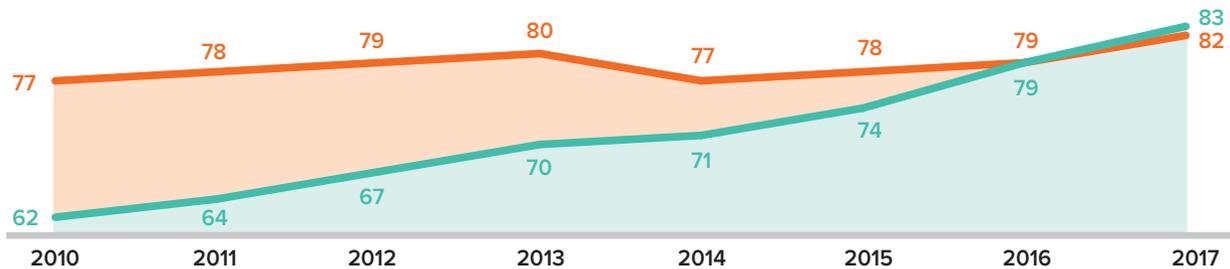
APS strives to deliver a high standard of pension benefit administration services to over 375,000 members and pensioners. Over the last several years, we have made significant progress in improving the quality, responsiveness and range of our service offerings while effectively managing cost.

APS' operating costs, membership numbers and transactional information are submitted annually to Cost Effectiveness Measurement (CEM) Benchmarking Inc. for comparison to our peer group in a comprehensive survey. While our peer group includes Canadian public sector pension administrators of a similar size to APS, some the largest in Canada, we operate in a more complex pension environment than most. APS administers nine plans with often distinct rules and pension options.

Combined, the CEM total service score and the cost per member measure are a reliable indicator of our success in focusing on a high standard of service at a reasonable cost. Through collaboration and with the support of our clients, we have made significant investments in people, processes and technology, thereby achieving a significant milestone. The results of 2017's survey were released in 2018 and showed that APS had surpassed the peer median total service score for the first time, 83 out of 100 to the peer median of 82. We remain committed to further improvements and continuing this positive trend now that we have closed the service score gap in comparison with our peers.

CEM Total Service Score

▶ APS Score ▶ Peer Median

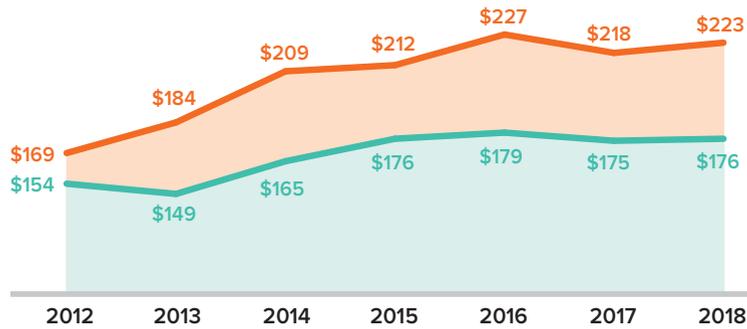


Our cost per member has consistently been below the peer average, and survey results released in 2018 showed this continues. APS' cost per member was \$175, \$43 less than the peer average of \$218—and 19.7% more cost effective. It is projected to increase by \$1 per member in the next survey. This increase reflects the operationalization of additional services including new plan websites and an online retirement application to further support the members and pensioners of the plans we serve.

We are extremely proud of the services that we provide and we couldn't do it without all of our dedicated staff members working in alignment to achieve our organization's goals. Our Member Services Centre is dedicated to excellence while guiding the pension experience; we help members understand their pension benefits through informative member education sessions held across the province; we work diligently to ensure that over 100,000 pensioners receive regular and accurate benefit payments; and we are committed to making sure that the employers we serve receive the tools, training and support for accurate and timely administration.

CEM Cost per Member

▶ APS ▶ Peer Average



We acknowledge that we still have some service challenges to overcome, particularly with our employer tools, but we remain focused on improving these. In the meantime, we appreciate the patience and solution-oriented approach of the employers as we work to implement sustainable solutions.

Through our planning, efforts and results, we demonstrate to our clients that they can be confident in our ability as a strategic business partner working to achieve common goals.

“Focusing on a high standard of service at a reasonable cost”

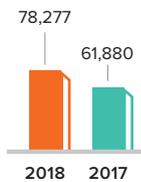


Member/Pensioner Communication

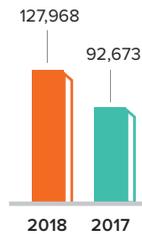
APS is dedicated to exceeding expectations and providing quality results, year after year. By prioritizing communication channels for our clients, both secure email volume and our online registrations for our suite of online portals and tools grew rapidly, allowing us to have more opportunities to engage with members and pensioners. This is not at the expense of other means of communication; our call centre volumes also continue to grow.



Total Member/Pensioner Incoming and Outgoing Calls

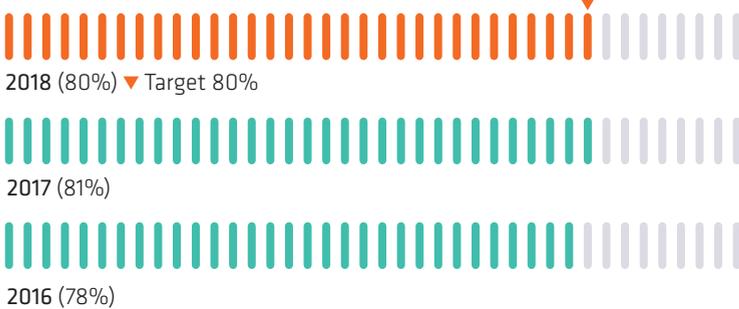


Total Secure Email Volume

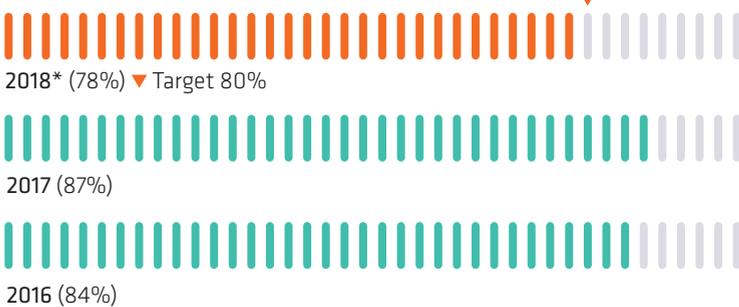


Total Member/Pensioner Online Registrations

Client Satisfaction



Employer Engagement



* The engagement scores in 2017 and 2016 did not include the Employer Portal satisfaction score. Engagement scores also include satisfaction with the service provided by APS, and employer compliance based on the employers' completion of legislatively required audit reports. Improving the Employer Portal remains one of our priorities.



Total members served in 2018:

13,425 2017: 8,778

Number of education sessions delivered to members in 2018:

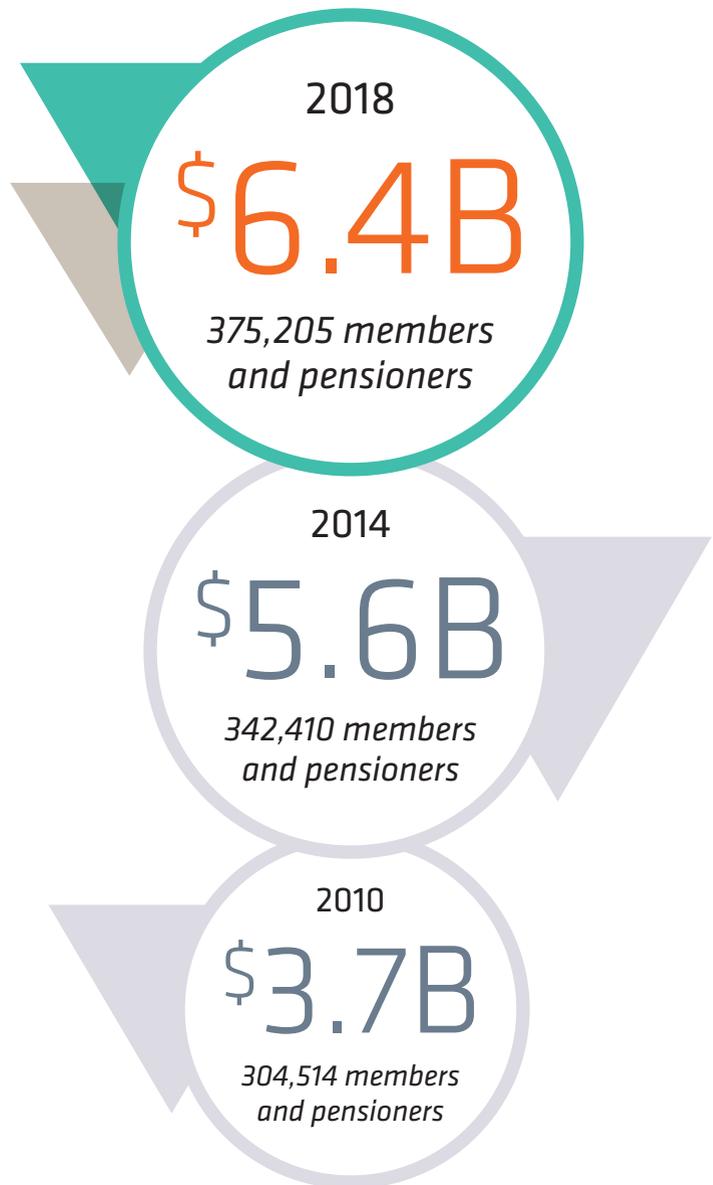
335 2017: 212



Member Counselling

	2018	2017
At APS	1,756	1,840
Alberta Wide	712	635
Group Sessions	286	193
Total	2,754	2,668

Funds Administered



Funds administered by Plan in 2018:

LAPP	\$4.2B
PSPP	\$1.3B
MEPP	\$0.4B
SFPP	\$0.3B
Other	\$0.2B
Total	\$6.4B

In 2018, APS was responsible for administering over \$6.4 billion of funds across the nine pension plans we serve. That amount includes receipts and disbursements to and from employers, members, pensioners, and other pension plans.

Joint Governance

On December 5, 2018, the Alberta government passed legislation changing the face of pension governance in Alberta through the *Joint Governance of Public Sector Pension Plans Act*. On March 1, 2019, three of APS' clients—the Local Authorities Pension Plan, the Public Service Pension Plan, and the Special Forces Pension Plan—transitioned to a structure jointly governed by their employers and employees. Under joint governance, employee and employer groups share control of plan design and responsibility for the financial health of the plan. Now independent from government, the new corporations can make their own decisions about plan rules, budgets, and, eventually, their service provider. Prior to this legislation, government had final approval on changes to the pension plans, including benefits.

The plans transitioned from the *Public Sector Pension Plans Act* to the *Employment Pension Plans Act* and are regulated by the Superintendent of Pensions. Preparations began long before the transition. To make sure the shift was as seamless as possible, we worked—and continue to work—closely with the pension plans and other partners, including Alberta Investment Management Corporation and Alberta Treasury Board and Finance.

Operational changes continue, and the quality and responsiveness of our services to members and employers and support to all of our clients remains critical. We continue to be an agile and resilient service provider in this new pension landscape because:

- We are responsive to our clients' changing needs and expectations
- We aim to provide excellent, reliable services to our clients, their employers and their members
- We seek opportunities for innovation to enhance and develop our services

By continuing to engage and empower our employees, we are able to field innovative ideas from across and outside the organization. Innovation can be big ideas, or it can be a series of incremental changes that optimize the use of resources and make the pension experience better for our clients and their members, as well as pension plan employers and staff at APS.

One of the key impacts for APS as a result of this new legislation is that in five years' time, the three clients under joint governance will have the ability to choose their pension administration service provider. Previously, all APS clients were legislated by the government to utilize the services of APS. We are confident that the more focused we are on our core services, as well as operational and service excellence, the better prepared we are to become an invaluable, strategic partner providing exceptional service and value to our clients and their members, pensioners and employers on a long-term basis.





Plan Sponsors

Employees (Plan Members)	Employers (Plan Employers)
-------------------------------------	---------------------------------------

The plan sponsors are employees and employers and appoint representatives to the sponsor board and the board of directors. The sponsor board's responsibilities include making and amending plan rules.

Plan Corporation

The corporation is the trustee and administrator of the plan fund and is governed by the corporate board.

Plan Corporation Board of Directors

Members of the corporate board are appointed by the plan sponsors. The corporate board creates bylaws that govern the corporation.

Plan Corporation Management

Corporate management and staff provide strategic and administrative support to the board of directors and sponsor board.

APS

Pension Benefits Administration

Operations include:

- Client services
- Contributions management
- Benefit disbursements
- Information management and communications

The governance structures of the Management Employees Pension Plan and the other plans APS administers have not changed.

Employee Engagement

Employees are pivotal to our success, and engagement continues to be a key focus at APS. We launched our Employee Engagement Strategy in 2017, and our engagement score climbed from 58% to 70% in 2018. That's three points over the national average and 12 points over the average of Crown corporations.

To continue to improve engagement, and in pursuit of an overall engagement score of 78% by 2021, we have focused on three areas:

Learning and Development: We enhanced the training approval process, increased our employee training budget and introduced new channels for learning, such as Lynda.com.

Managing Performance: We created a clear line of sight from work at the front line to the strategic objectives of the organization. We are formalizing and defining leadership competencies expected at APS and articulating how we can consistently demonstrate these competencies.

Recognition: We aimed to make recognition and engagement a hallmark of how we work, rather than work we have to do.

Building off our success in 2018, in 2019, we'll also focus on opportunities for career advancement, with a refresh of the APS Job Explorers program and training for leaders so they can serve as career coaches.

Engagement score:

70% *in*
2018

58% *in*
2017



2018 engagement survey:

We have a work environment that is open and accepts individual differences:

92%
agreed

New retired members
average age in 2018:

60.52 *yrs*
2017: 60.41 yrs

Average age of all retirees:

72.37 *in*
2018

72.22 *in*
2017

PensionEase

We continue to enhance the member experience by offering new and improved services. PensionEase is a secure, online retirement tool that reduces wait times and requires no mailing. It was launched to our pilot employer, the City of Calgary.

Pilot-employer retirements increased by 40% in 2017, remained steady through 2018 (445 retirements processed with an estimated 80% through PensionEase) and are rising into 2019. Employers are better able to manage this increase through PensionEase; they are able to generate retirement options immediately for the member, removing traditional paper-processing wait times.

PensionEase also reduces the number of appointments the member requires with their employer in order to retire, from two to one. The 2019 project plan includes further beta testing, and the plan is to offer PensionEase to an expanded group of APS-administered plan employers.



Client Websites Launch

Three new plan websites launched in the first half of 2018. To design the sites, the Corporate Communications team at APS worked closely with the staff of the Public Service Pension Plan, the Special Forces Pension Plan and the Management Employees Pension Plan. Corporate Communications also collaborated with APS' Information Services and Technology, Policy and Legal teams.

Surveys told us that 81% of users found the new website they visited met their needs, 94% of respondents liked the overall look of the site, and 77% found what they were looking for. The strong survey results are the product of a focus on clear language and simple navigation. The sites, tailored to each plan's needs, are mobile-friendly and responsive, giving visitors the information they need when they need it.

The launch of the three new websites in 2018 follow on the success of the redesigned and award-winning Local Authorities Pension Plan website launched in 2017. The awards included: an Award of Excellence for digital communication and an Award of Merit for writing from the International Association of Business Communicators, Edmonton Chapter; and an award from Benefits Canada for pension plan communications.

APS continues to work with plan staff to enhance the design and content of the sites.



In September 2018, APS achieved a mighty milestone:



for the first time ever, we made more than 100,000 pension payments in a single month!

Imagine the entire population of Red Deer lining up to receive a paycheque!



That's a lot of people, and a significant amount of money:

\$170 Million.

That's enough to buy a shiny new jumbo jet every month!



99% of the people that APS pays live in Canada, but we send payments to 71 different countries. The most popular destinations for pension payments are:

USA (440)



Great Britain (106)



Australia (60)



APS' 324 employees support 100,000 payees each of us supports 308 pensioners a month!



And that's in addition to the thousands of active members we look after for our clients, the plan boards.



APS typically sees 500 new pensioners every month.

Before applying, they may need:



enrollments



buybacks

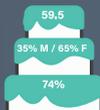


estimates



conversations

Average New Pensioner



- is between 58 and 61
- is likely female
- has a pension partner



Just 4 years ago, we were only making 84,000 payments a month.

But this isn't unexpected;

in fact, it's one of the main reasons we switched over to Compass!



We have the people and tools in place in order to start reaching for our next milestone, and we are refining them all the time, but in the meantime,

congratulations APS, on reaching 100,000 payments per month!



Analytics & Robotic Process Automation—Providing Value



At APS, data is a strategic asset. To best serve our clients and plan members, we have developed an analytics-evolution roadmap driven by business outcomes, and a three-year strategy. We have a strong commitment to leveraging data and analytics to optimize processes and decisions at APS—better processes and decisions, better value.

Collaboration, training, self-serve analytics, data literacy and leveraging innovative processes all aid in fostering greater analytical understanding. This helps APS to make the most of our clients' data assets. The Analytics Centre of Excellence (ACE) team at APS continues to support pensions services by enhancing analytical solutions on performance reporting, leveraging technology to enable process improvements, and making self-serve reporting available to both internal and external clients.

By adopting leading technologies in the fields of machine learning and artificial intelligence (robotic process automation), while enabling augmented analytics and sound data management practices, the organization is striving to lead the pension industry while building a strong foundation of data governance, accountability, privacy and security.

July brought the unveiling of APS Dash, a data analytics visualization tool that gathers distinct sources and types of data from across APS. That, in turn, helps to measure performance day-by-day throughout the organization, from call centre service metrics to all pension administration transactions. The APS Dash is displayed on monitors on all three floors of the APS building. Operational managers have access to it on their desktops.

The Dash is helping our entire organization to monitor and respond proactively to ensure our service levels are meeting established targets.

The value of APS Dash comes in highlighting where APS is doing well against its performance indicators and where further work is needed. ACE continues to refine APS Dash and build our data analytics toolset and reports to innovate the services we provide.

APS harnessed technology to automate the processing of annual statements, reducing manual effort by up to



As a result, resources could be allocated to other priority areas.

DATA Informs Decisions

Average yearly pension paid:



Real-world APS Dash example:

Retirement estimates (provided within target time frame)

Current	Target	Status
99.5%	95%	+4.5%

Planning for the Future

APS has worked hard to be among the top pension service providers in Canada. Our staff's engagement and passion for pensions and service drive our commitment to deliver an industry-leading member experience.

In 2018, we set our business plan initiatives to reflect the upcoming developments in technology, shifts in demographics and changes to the governance structures of some of the plans we administer. Our plan for the coming years will ensure that APS remains resilient by focusing on:

- The reliability of our core services
- Innovation in systems and processes to be efficient and effective
- Operational excellence in service delivery

Through this commitment, we will continue to be a strategic business partner in the success of our clients. Further, APS will strive to integrate more opportunities in the changing pension landscape, bringing further value through service delivery.

Average age of
active members:

44.91 *in*
2018

44.87 *in*
2017



*Top row (left to right):
David Booth – Vice President,
Information Services and
Technology; Darwin Bozek –
President and CEO;
Troy Mann – Vice President,
Pensions Services.*

*Bottom row (left to right):
Doug Woloshyn – Vice
President, Finance and Chief
Financial Officer; Tamara
Janzen – Vice President,
Human Resources and
Organizational Development.*

Strategy

We are dedicated to meeting the changing needs of our clients and the increasing demand for our services in a cost-effective manner. In consultation with our stakeholders, APS set the path to be a best-in-class provider of client services by focusing on five strategic objectives.

STRATEGIC OBJECTIVES:

Enhance Stakeholder Relationships:

We will strengthen the relationship between APS and the clients we serve. We will constantly demonstrate the value of our services in order to better meet their needs.

Transform Member and Employer Interactions:

We will enhance the interactions between APS, employers and plan members (active, deferred and retired) by considering audience age and stage, communication channels, access to information and self-service transactions.

Elevate Member and Employer Pension Benefit Education:

We will commit to the education of employers and plan members, in the reasons for and workings of defined benefit pension plans.

Optimize Service Delivery:

We will continue to focus on opportunities for innovation as a key way to administer and improve our services.

Align and Grow Workforce Capabilities:

We will harness the passion and professionalism of APS employees and provide engaging management, performance measures and development opportunities.

Total employer contributions:

\$1.84B *in 2018*

\$1.92B in 2017



Total member contributions:

\$1.71B *in 2018*

\$1.79B in 2017

THROUGH 2019, WE WILL CONTINUE:

- Focusing on a competitive CEM total service score and cost per member measure
- Strengthening our relationships and building trust with clients
- Striving to meet and exceed client service level agreements
- Ensuring our workforce is engaged to drive innovation and pursue excellence in client service
- Harnessing data analytics and making data available to allocate resources effectively and support evidence-based decision making for APS and our clients
- Improving the reliability of our pension administration system and the Employer Portal
- Identifying and initiating system and process changes in light of governance change
- Supporting the review of plan documents made necessary by governance change
- Identifying opportunities to enhance service by introducing and improving automation in key areas
- Developing engaging and interactive pension-benefit education for our members and employers
- Establishing and developing leadership competencies and a succession framework
- Enhancing information and cybersecurity controls and awareness throughout the organization
- Assuring the Shareholder and other stakeholders that key processes are supported by effective internal controls

Community Involvement

Charity of Choice

Our staff continue to give back to those in need through our charity of choice, the Edmonton Food Bank. In 2018, we donated 12,502 pounds (5,671 kilograms) of food, more than doubling last year's contribution. Additionally, we raised \$19,849 in cash for the charity.



12,502

pounds of food donated

Canadian Blood Services

APS had a banner year of blood donations in 2018; nearly 50 donors gave 119 units of the precious gift. That's our best year yet, and it more than doubles the year before. Each donation can save the lives of up to three people, which means our APS team has given the gift of life to more than 750 individuals since joining Canadian Blood Services' Partners for Life program in 2014. We are very proud to work alongside such selfless people.



119 units of blood donated



Corporate Challenge

APS participated in the Edmonton and area Corporate Challenge as a new competitor in 2018 and our tenacity showed as we placed third in our division. It was an amazing opportunity for our staff to interact with each other outside of the office and also for us to connect with other organizations in the spirit of friendly competition. APS will be returning to compete in Corporate Challenge 2019.



\$19,849

raised for the Food Bank



Payees Around the World



	Country	# of payees
	Canada	113,800
	United States	498
	United Kingdom	123
	Australia	71
	Mexico	20
	Philippines	18
	Poland	14
	New Zealand	14
	Hong Kong	14
	Ireland	12
	Germany	12
	Barbados	10
	Others	172

Risk Management

APS is committed to managing the risks facing our business as part of our corporate governance processes. Our overall risk management framework includes several lines of defence. One is our enterprise-wide Risk Management Program. Through this program, we strategically identify, assess and mitigate key corporate risks that may impact our ability to achieve our mission and strategic objectives. Key corporate risks are reviewed systematically to ensure they capture current and emerging risks in our business environment that may affect APS and our stakeholders.

In 2018, APS invested significant efforts in defining our corporate risk appetite and establishing data driven key risk indicators and performance metrics to inform our risk assessments.

These efforts are continuous improvements to mature the program to a state where APS' key business decisions are driven by risk management, and the program provides the Corporation the ability to evolve its strategic and operational processes to address the ever-changing world.

APS will continue to enhance the program to ensure our corporate goals and objectives are met while providing risk-managed, efficient and effective pension services to our clients and stakeholders.

Supporting the overall risk management framework is another line of defence. Our internal audit function provides independent and risk-based assurance to the APS Board and executive management regarding the effectiveness of APS' risk management, internal control and governance processes. As required by the IIA Standards (the *International Standards for the Professional Practice of Internal Auditing*), the internal audit function is subject to periodic external quality assessments (EQA). In 2018, an independent consultant completed an EQA and they issued a rating of "Generally Conforms" for our internal audit function—this rating is the highest level in accordance with the IIA standards.



**Internal audit passes
external quality
assessment and receives
the highest rating.**

CORPORATE GOVERNANCE



Corporate Governance

Regulatory Framework

Alberta Pensions Services Corporation (APS) was incorporated in 1995 under Alberta's *Business Corporations Act* with the Government of Alberta as the sole Shareholder. On behalf of the Shareholder, APS provides cost-effective and efficient pension administration of the public sector pension plans, and related services, as set out in a Pension Services Agreement.

The *Alberta Public Agencies Governance Act (APAGA)* requires that public agencies have a Mandate and Roles Document outlining the roles of both the agency and the Minister responsible for the agency, the President of Treasury Board and Minister of Finance (Minister).

APS has responsibilities under, and is subject to the *Public Sector Pension Plans Act*. APS follows a compliance framework for all applicable legislation, regulations, policies and standards, such as the *Business Corporations Act*, APAGA, the *Freedom of Information and Protection of Privacy Act*, and the *Public Interest Disclosure (Whistleblower Protection) Act*.

The regulatory framework is subject to change under the *Joint Governance of Public Sector Pension Plans Act*.



The transition to joint
governance was effective
March 1, 2019

Governance Practices

The Mandate and Roles Document outlines the roles and responsibilities of the Minister, the APS Board and the President and Chief Executive Officer (CEO).

In addition, the Board has adopted a governance model that defines accountability between the Board and management.

The Board delegates operational responsibilities and authority to the CEO with clear expectations for results. The Board rigorously monitors the Corporation's results against the strategic plan and business plan budget and initiatives, and the Corporate Scorecard performance measures and targets, to ensure these expectations have been achieved within APS' risk and compliance framework.

The Board of Directors follows its Board Terms of Reference which describes its purpose and authority, operating rules and procedures, and includes job descriptions for the Chair, Directors and Committee Chairs. Each Director participates in fulfilling the Board's stewardship role by acting honestly and in good faith with a view to the best interests of the Corporation and exercising the care, diligence and skill that a reasonably prudent person would exercise in comparable circumstances (duty of care).

The Board has also adopted specific governance policies and practices respecting Board orientation, education and interactions with the CEO and management, and Board meeting conduct. The Board conducts an annual self-evaluation to assess the performance and effectiveness of the Board and its Committees.

The Board provides the Minister with an annual assessment of its corporate obligations, in addition to a disclosure report of its corporate governance practices, consistent with the Canadian Securities Administrators National Policy 58-201 – Corporate Governance Guidelines, and National Policy 52-210 Audit Committees.

Board Composition

In 2018, the Articles of Incorporation provided that any vacancy in the Board of Directors shall be filled by the Shareholder appointing an individual as director, and the Unanimous Shareholder Agreement provides that nine directors shall be appointed by the Shareholder, comprised of the following:

- One director recommended by the Local Authorities Pension Plan Board of Trustees
- One director recommended by the Public Service Pension Board
- One director recommended by the Management Employees Pension Board
- One director recommended by the Special Forces Pension Board
- Five independent directors, none of whom may be employees of the Ministry of Treasury Board and Finance

The Board annually reviews its director term expiries, composition and competency matrix, and follows the Government of Alberta's transparent and competency-based recruitment process for director appointments for public agencies.

The President of Treasury Board and Minister of Finance appoints the President and CEO after consultation with the Board.

Shareholder's Representative

A representative of our Shareholder, the President of Treasury Board and Minister of Finance, is entitled to participate in all discussions of the directors, but is not permitted to vote on any motion or resolution considered by the directors. In 2018, this Shareholder's Representative position was held by the Assistant Deputy Minister and Superintendent of Pensions, Insurance and Financial Institutions, Financial Sector Regulation and Policy, Treasury Board and Finance.

Revised Unanimous Shareholder Agreement

A revised Unanimous Shareholder Agreement effective March 1, 2019, was issued to APS by the President of Treasury Board and Minister of Finance. The updated version supersedes and replaces the previous June 7, 2017, version. Key changes include a requirement that the APS Board of Directors establishes a new "Stakeholder Advisory Committee" which will replace the "representative" directors from the Local Authorities Pension Plan, the Public Service Pension Plan, the Special Forces Pension Plan, the Management Employees Pension Plan, and the "observer" status presently exercised by the Shareholder. As a result, the Board composition will be amended to a composition of seven independent directors. Additionally, there are new restrictions on the provision of pension administration services to new clients and providing services other than on a cost recovery basis.

Number of APS
employees on
March 1, 2019:

317



68.5% of employees were
female on March 1, 2019

2018 APS Board of Directors

NAME	NOMINEE	TERM OF SERVICE	BOARD POSITION
Rosemarie McClean	Independent	January 2009 – August 2018	<ul style="list-style-type: none"> • Board Chair (<i>to August 2018</i>) • Governance Committee Chair (<i>to August 2018</i>)
Colin P. MacDonald	Independent	June 2017 – present	<ul style="list-style-type: none"> • Board Chair (<i>as of August 2018</i>) • Governance Committee Chair (<i>as of September 2018</i>)
Bonnie Andriachuk	Independent	January 2013 – April 2016 June 2017 – present	<ul style="list-style-type: none"> • Board Vice Chair (<i>as of August 2018</i>) • Human Resources Committee Chair • Governance Committee Vice Chair
Ward Chapin	Independent	January 2013 – present	<ul style="list-style-type: none"> • Operational Risk Committee Chair (<i>Committee dissolved effective September 2018</i>)
Brenda McInnes	Independent	August 2018 – present	
Claudia Roszell	Independent	June 2017 – present	<ul style="list-style-type: none"> • Audit Committee Vice Chair
Peter Marsden	Local Authorities Pension Plan Board of Trustees	March 2017 – present	<ul style="list-style-type: none"> • Human Resources Committee Vice Chair
Shannon Patershuk	Management Employees Pension Board	August 2018 – present	
Elaine Noel-Bentley	Public Service Pension Board	March 2017 – present	<ul style="list-style-type: none"> • Operational Risk Committee Vice Chair (<i>Committee dissolved effective September 2018</i>)
Roger Rosychuk	Special Forces Pension Board	February 2013 – present	<ul style="list-style-type: none"> • Audit Committee Chair

Shareholder's Representative

Darren Hedley, Assistant Deputy Minister and Superintendent of Pensions, Insurance and Financial Institutions, Financial Sector Regulation and Policy, Treasury Board and Finance

April 2018 – present

Nilam Jetha, Assistant Deputy Minister, Financial Sector Regulation and Policy, Treasury Board and Finance

January 2016 – March 2018

Duties and Responsibilities of the Board of Directors

The Board acts in the best interests of the organization to perform its stewardship responsibilities either directly or through the Committees of the Board—to fulfill its responsibilities for the strategic governance of APS, risk management and oversight of APS operations—in compliance with all relevant policies, applicable laws and regulations.

The Board is responsible for reviewing and approving all accountability documents and reporting to the Minister as outlined in the Mandate and Roles Document. To fulfill its obligations, the Board develops and approves a five-year strategic plan which is reviewed and updated annually, and a three-year Business Plan and budget which is monitored quarterly and reviewed and updated annually. Regular reporting on APS' performance and financial results is provided to the Minister, as well as the auditor's report prepared by the Office of the Auditor General.

The Board fosters a culture of ethics in the operations of the Corporation with its oversight of ethics and code of conduct education, and robust fraud and risk management programs. An annual certification of compliance is conducted for Board members and all APS staff.

Board Remuneration (in thousands)

The Board Chair position, which was held by two different individuals during the year, received remuneration of \$56 (2017: \$50). Rosemarie McClean held the position until August 2018 and Colin MacDonald became the Board Chair effective August 2018. Eight other Board members (eight in 2017) received a combined total remuneration of \$143 (2017: \$102).

The remuneration is paid in accordance with the rates approved by the Shareholder and is subject to applicable withholdings.

Board Committees

The Board has three committees: Audit Committee, Human Resources Committee and Governance Committee (Operation Risk Committee dissolved September 2018 and mandates transferred to Audit Committee).

The committees each review their terms of reference annually. All meet with unique agendas and meeting times, in conjunction with the Board meetings. The committees perform the following duties to assist the Board in discharging its oversight responsibilities:

Audit Committee

- Recommends approval or other Board action for all financial statements and reports requiring approval of the Board (annual and quarterly reports)
- Oversees the Corporation's Risk Management, Compliance and Internal Audit programs
- Oversees the Corporation's Whistleblower and Fraud Prevention policies
- Liaises with the independent auditor

Human Resources Committee

- Oversees and monitors plans for identifying and managing workforce risks
- Monitors APS' practices for managing workforce compensation and benefits
- Reviews and recommends approval for the President and CEO's appointment, performance evaluation and compensation
- Oversees succession planning for the President and CEO and Executive positions
- Monitors the Corporation's management of workforce employment conditions

Governance Committee

- Oversees governance matters to enhance Board performance including: agenda planning, policy development, director recruitment strategies, Board composition and succession planning, director development and training
- Assesses and makes recommendations regarding Board effectiveness
- Ensures the Board fulfills its legal, ethical and functional responsibilities

Board Meetings

In 2018, the Board and the committees each met five times. The Board also held special meetings to review the year-end Corporate Scorecard and to review direction regarding the Government of Alberta's initiative on joint governance including development of the Pension Services Agreements between APS and the new corporations – LAPP Corporation, PSPP Corporation and SFPP Corporation. Orientation sessions were held for the two new directors.

In-camera sessions are included as a component of all meetings. Quorum and voting are determined by agreement with the Shareholder.

Additional Information

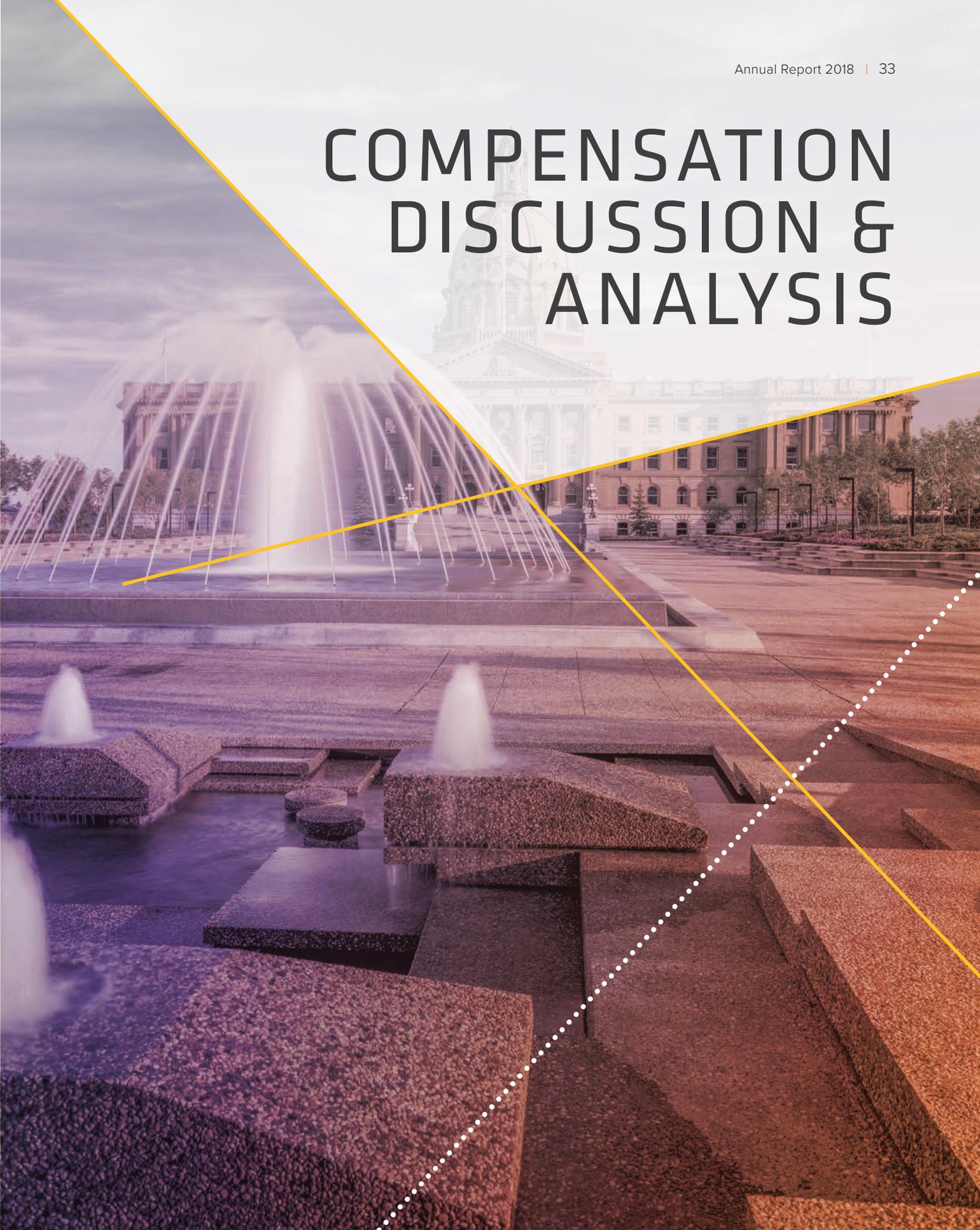
The APS Board Code of Conduct, APS Staff Code of Conduct and Ethics, and the Mandate and Roles Document are available on our website, www.apsc.ca under the About APS section.



Back left to right:
Peter Marsden – LAPP Board Representative; Ward Chapin – Independent Director; Elaine Noel-Bentley – PSPP Board Representative; Colin P. MacDonald – Chair, Independent Director; Roger Rosychuk – SFPP Board Representative.

Front left to right:
Brenda McInnes – Independent Director; Shannon Patershuk – MEPP Board Representative; Claudia Roszell – Independent Director; Bonnie Andriachuk – Vice Chair, Independent Director.

COMPENSATION DISCUSSION & ANALYSIS



Compensation Discussion & Analysis

Our People

APS acknowledges the value of attracting and retaining a qualified workforce. As such, the Corporation strives to reward employees fairly and equitably. APS has adopted a compensation philosophy with four key principles that guide the compensation design and practices: internal consistency, market competitiveness, goal achievement and simplicity.

Internal Consistency

APS ensures there is internal job design and compensation consistency based on contributions to business objectives and that the job evaluation system is fair, rational and defensible.

Market Competitiveness

APS aligns its market strategy with the private and public sectors, with a weighting of 50 per cent between each market.

Goal Achievement

APS provides an environment where employees can strive for, and achieve, goals at the individual, team and corporate levels.

Simplicity

APS promotes and rewards desired behaviours and results by designing, implementing and communicating compensation policies and practices that are aligned, consistent and understandable.

Human Resources Committee

The Board's Human Resources Committee (HRC) ensures the human resources policies and practices support the achievement of corporate objectives. The HRC performs its responsibilities to enable the Board to fulfil its oversight responsibilities for:

- Human resources strategy that aligns to the Corporation's strategic plan, business plan and values based culture
- Workforce capacity, compensation and benefits, employment conditions and related risks
- Recommendation for the appointment, compensation and performance evaluation of the President and CEO
- Succession planning related to the President and CEO and Executive positions

The HRC is comprised of all members of the APS Board of Directors and the Shareholder's Representative, each of whom is independent of management. The HRC meets a minimum of four times per year and conducts in-camera sessions at the end of each meeting, without management present.

The HRC retains external advisors to provide Executive compensation advice and other expertise the Committee deems necessary.

Collective Bargaining

APS and AUPE ratified a collective agreement in November 2018, a three year deal that saw no increases to the in-scope salary scales in 2018 and 2019, and a wage re-opener in 2020. In-scope employees will receive lump sum payments of 3% for 2019 and 2% for 2020 as part of the agreement.

Classification and Compensation Review

To ensure APS is positioned to deliver on its strategy, it must effectively attract and retain top talent. In 2018, a full market compensation review of APS' Compensation Philosophy, overall salary structure and individual positions within the organization was initiated. Exempt and management results were rolled out in November 2018.

Salary Restraint

The Salary Restraint Regulation introduced in 2018 prohibited base pay increases for exempt and management employees. With the discontinuance of APS' variable pay program under the Reform of Agencies, Boards and Commissions Compensation Regulation, APS is experiencing downward pressure on its Compensation Philosophy and recruitment and retention strategies.

Executive Compensation

Part of the HRC's responsibility is to annually review the total compensation structure for the President and CEO and Executives. The HRC also makes recommendations to the Board for the President and CEO's compensation.

Executives under contract when the Reform of Agencies, Boards and Commissions Compensation Regulation was introduced are eligible to receive a variable pay award based on the achievement of predetermined corporate measures. Payment for the achievement of corporate results is at the discretion of the Board. The last eligible year on which variable pay can be earned is 2018.

Executives participate in the Management Employees Pension Plan (MEPP) and Supplementary Retirement Plan for Public Service Managers (SRP). Combined, these plans provide pension benefits equal to two per cent of each Executive's best five-year average pensionable salary for each year of service. The pension provided by MEPP is limited to base salary up to the maximum pensionable salary limit permitted under the federal *Income Tax Act* (ITA). The SRP provides a pension in respect of the base salary in excess of the maximum pensionable salary limit under the ITA.

No portion of the Executive compensation consists in any manner of equity instruments.



Summary Compensation Table

(in thousands)

The table below provides complete disclosure of salary, variable pay, employer portion of pension contributions and all other compensation paid during the years ended December 31, to the President and Chief Executive Officer, Vice Presidents and Chief Officers.

Position	Base Salary ¹	Variable Pay ²	Pension ³	Other Compensation ⁴	2018 Total	2017 Total ⁵
President and Chief Executive Officer ⁶	\$ 260	\$ -	\$ 51	\$ 43	\$ 354	\$ 445
Vice President, Finance and Chief Financial Officer	210	46	40	15	311	337
Vice President, Human Resources and Organizational Development	195	47	36	15	293	291
Vice President, Pensions Services ⁷	142	-	27	37	206	-
Vice President, Information Services and Technology ⁸	127	-	24	14	165	-
Chief Operating Officer ⁹	-	-	-	-	-	245

1. Base salary includes regular base pay.
2. Variable pay is calculated based on achievement of predetermined corporate measures. The amounts disclosed were paid in the year based on the prior year's results. The variable pay program has been discontinued and 2018 is the last year for which variable pay is effective for those eligible to participate in the program.
3. Pension represents the Corporation's share of contributions to the plans based on each individual's pensionable salary.
4. Other compensation includes such cash benefits as: automobile allowance, lump sum payments and vacation payouts where applicable. Also included are non-cash benefits and contributions or payments made on their behalf including health care and dental coverage, group life insurance, long-term disability insurance, WCB premiums, parking, professional memberships and education expenses.
5. Prior year amounts have been restated to align with Government of Alberta disclosure of Other Compensation.
6. Two individuals occupied this position at different times in 2017. The incumbent was appointed President and Chief Executive Officer on August 21, 2017. Amounts shown for 2017 are for both the current and previous incumbent while they occupied the position.
7. The incumbent commenced employment with the Corporation in the position of Vice President, Pensions Services effective May 14, 2018.
8. The incumbent commenced employment with the Corporation in the position of Vice President, Information Services and Technology effective May 14, 2018.
9. The incumbent left the Corporation effective August 8, 2017. Effective December 2017, the Corporation restructured the responsibilities and titles for this position:

Former Title	New Title
Chief Operating Officer	Vice President, Pensions Services Vice President, Information Services and Technology

FINANCIAL STATEMENTS

December 31, 2018



MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING

The financial statements and information in the 2018 Annual Report are the responsibility of Alberta Pensions Services Corporation (APS) and have been approved by management and the APS Board of Directors (Board).

The financial statements have been prepared in conformity with Canadian public sector accounting standards and, of necessity, include some amounts that are based on estimates and judgments. Financial information presented in the 2018 Annual Report that relates to the operations and financial position of APS is consistent with that in the financial statements.

To discharge its responsibility for the integrity and objectivity of financial reporting, APS maintains a system of internal accounting controls comprised of written policies, standards and procedures, and a formal authorization structure. These systems are designed to provide management with reasonable assurance that transactions are properly authorized, that reliable financial records are maintained and that assets are adequately accounted for and safeguarded.

The Board is responsible for ensuring that management fulfills its responsibilities for financial reporting and internal control. The Board carries out this responsibility principally through its Audit Committee (Committee). As part of this responsibility, the Committee reviews the financial statements, the Management's Discussion and Analysis, and the Compensation Discussion and Analysis in the Annual Report, and once satisfied, recommends them to the Board for approval. The Committee also meets with management and the external auditor to discuss internal controls, auditing matters and financial reporting issues.

The Auditor General of Alberta, APS' external auditor, provides an independent audit opinion on the financial statements.

[Original signed by]

DARWIN BOZEK, CPA, CGA
President and Chief Executive Officer

[Original signed by]

DOUG WOLOSHYN, CPA, CA
Vice President, Finance and Chief Financial Officer

INDEPENDENT AUDITOR'S REPORT

To the Shareholder of Alberta Pensions Services Corporation



Report on the Financial Statements

Opinion

I have audited the financial statements of Alberta Pensions Services Corporation, which comprise the statement of financial position as at December 31, 2018, and the statements of operations, change in net debt and cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In my opinion, the accompanying financial statements present fairly, in all material respects, the financial position of Alberta Pensions Services Corporation as at December 31, 2018, and the results of its operations, its changes in net debt, and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

Basis for opinion

I conducted my audit in accordance with Canadian generally accepted auditing standards. My responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of my report. I am independent of Alberta Pensions Services Corporation in accordance with the ethical requirements that are relevant to my audit of the financial statements in Canada, and I have fulfilled my other ethical responsibilities in accordance with these requirements. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

Other information

Management is responsible for the other information. The other information obtained at the date of the auditor's report comprises the information included in the *Alberta Pensions Services Corporation Annual Report The Future is Now 2018*, but does not include the financial statements and my auditor's report thereon.

My opinion on the financial statements does not cover the other information and I do not express any form of assurance conclusion thereon.

In connection with my audit of the financial statements, my responsibility is to read the other information identified above when it becomes available and, in doing so, consider whether the other information is materially inconsistent with the financial statements or my knowledge obtained in the audit, or otherwise appears to be materially misstated.

If based on the work I have performed on the other information obtained prior to the date of the auditor's report, I conclude that there is a material misstatement of the other information, I am required to report the fact. I have nothing to report in this regard.

Responsibilities of management and those charged with governance for the financial statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with Canadian public sector accounting standards, and for such internal control as management determines is necessary to enable the preparation of the financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing Alberta Pensions Services Corporation's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless an intention exists to liquidate or to cease operations, or there is no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Alberta Pensions Services Corporation financial reporting process.

Auditor's responsibilities for the audit of the financial statements

My objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, I exercise professional judgment and maintain professional skepticism throughout the audit. I also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Alberta Pensions Services Corporation's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on Alberta Pensions Services Corporation's ability to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in my auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my auditor's report. However, future events or conditions may cause Alberta Pensions Services Corporation to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

I communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that I identify during my audit.

[Original signed by W. Doug Wylie FCPA, FCMA, ICD.D]
AUDITOR GENERAL
April 30, 2019
Edmonton, Alberta

Alberta Pensions Services Corporation
STATEMENT OF OPERATIONS
YEAR ENDED DECEMBER 31

(in thousands)

	2018		2017
	Budget	Actual	Actual
Expenses			
Staff and related expenses	\$ 35,331	\$ 34,216	\$ 33,721
Contract services	2,815	2,893	2,664
Materials and supplies	4,530	4,545	4,323
Amortization	5,977	5,699	5,596
Data processing and maintenance	5,758	6,016	6,041
Total before plan specific and employer specific services	54,411	53,369	52,345
Plan specific services (Note 5)	4,322	3,987	3,110
Employer specific services (Note 6)	39	39	39
Total operating expenses	\$ 58,772	\$ 57,395	\$ 55,494
Recovery of costs (Note 7)	\$ 58,772	\$ 57,395	\$ 55,494
Annual surplus (deficit)	-	-	-
Net assets at beginning of year	-	-	-
Net assets at end of year	\$ -	\$ -	\$ -

Contractual obligations (Note 12)

The accompanying notes are an integral part of these financial statements.

Approved by the Board:

[Original signed by]

COLIN P. MACDONALD, Q.C.
Chair, Board of Directors

[Original signed by]

ROGER ROSYCHUK
Chair, Audit Committee

Alberta Pensions Services Corporation

STATEMENT OF FINANCIAL POSITION

AS AT DECEMBER 31

(in thousands)

	2018	2017
Financial assets		
Cash	\$ 357	\$ 357
Accounts receivable	84	8
Due from pension plans (Note 7)	4,567	4,945
	5,008	5,310
Liabilities		
Accounts payable and accrued liabilities	\$ 3,056	\$ 2,658
Accrued salaries and benefits	2,442	2,710
Accrued vacation pay	543	402
Deferred lease inducement (Note 12)	111	298
Capital lease obligation (Note 12)	79	119
	6,231	6,187
Net debt	\$ (1,223)	\$ (877)
Non-financial assets		
Tangible capital assets (Note 8)	\$ 40,323	\$ 45,212
Prepaid expenses	1,223	877
	41,546	46,089
Net assets before spent deferred capital contributions	40,323	45,212
Spent deferred capital contributions (Note 8)	40,323	45,212
Net assets (Note 9)	\$ –	\$ –

Contingent liabilities (Note 13)

The accompanying notes are an integral part of these financial statements.

Alberta Pensions Services Corporation

STATEMENT OF CHANGE IN NET DEBT

YEAR ENDED DECEMBER 31

(in thousands)

	2018		2017
	Budget	Actual	Actual
Annual surplus (deficit)	\$ -	\$ -	\$ -
Acquisition of tangible capital assets (Note 8)	(2,200)	(810)	(1,450)
Amortization of tangible capital assets (Note 8)	5,977	5,699	5,596
Change in spent deferred capital contributions	(3,777)	(4,889)	(4,146)
Change in prepaid expenses	-	(346)	518
(Increase) Decrease in net debt	-	(346)	518
Net debt at beginning of year	(877)	(877)	(1,395)
Net debt at end of year	\$ (877)	\$ (1,223)	\$ (877)

The accompanying notes are an integral part of these financial statements.

Alberta Pensions Services Corporation
STATEMENT OF CASH FLOWS
YEAR ENDED DECEMBER 31

(in thousands)

	2018	2017
Operating transactions		
Annual surplus (deficit)	\$ –	\$ –
Non-cash items included in annual surplus (deficit):		
Amortization of tangible capital assets (Note 8)	5,699	5,596
Decrease in deferred lease inducement (Note 12)	(187)	(187)
Amortization of spent deferred capital contributions	(5,699)	(5,596)
	(187)	(187)
(Increase) decrease in accounts receivable	(76)	11
(Increase) decrease in prepaid expenses	(346)	518
Decrease in due from pension plans	378	1,736
Increase (decrease) in accounts payable and accrued liabilities	398	(2,042)
(Decrease) increase in accrued salaries and benefits	(268)	76
Increase (decrease) in accrued vacation pay	141	(13)
Cash provided by operating transactions	40	99
Capital transactions		
Acquisition of tangible capital assets (Note 8)	(810)	(1,450)
Cash applied to capital transactions	(810)	(1,450)
Financing transactions		
Increase in spent deferred capital contributions (Note 8)	810	1,450
Repayment of capital lease obligation (Note 12)	(40)	(40)
Cash provided by financing transactions	770	1,410
Increase in cash	–	59
Cash at beginning of year	357	298
Cash at end of year	\$ 357	\$ 357

The accompanying notes are an integral part of these financial statements.

Alberta Pensions Services Corporation

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31

1. AUTHORITY

Alberta Pensions Services Corporation (APS) is incorporated under the *Business Corporations Act, Chapter B-9, Revised Statutes of Alberta 2000*. The issued share of the Corporation is owned by the President of Treasury Board and Minister of Finance (the Minister) on behalf of the Government of Alberta and, accordingly, the Corporation is exempt from income taxes under the *Income Tax Act*. APS is referred to as “the Corporation” throughout the Notes to the Financial Statements.

2. NATURE OF OPERATIONS

The Minister, operating under the authority of the *Public Sector Pension Plans Act, Chapter P-41, Revised Statutes of Alberta 2000*, is responsible for administering the following public sector pension plans:

- Local Authorities Pension Plan (LAPP)
- Public Service Pension Plan (PSPP)
- Management Employees Pension Plan (MEPP)
- Special Forces Pension Plan (SFPP)
- Public Service Management (Closed Membership) Pension Plan (PSM(CM)PP)

The Government of Alberta’s *Joint Governance of Public Sector Pension Plans Act* received Royal Assent on December 11, 2018. The transition to be effective March 1, 2019 will change the trustee of LAPP, PSPP, and SFPP from the Minister to LAPP Corporation, PSPP Corporation, and SFPP Corporation respectively. These plans will be registered under the *Employment Pension Plans Act*.

The Minister, operating under the authority of the *Provincial Court Act* and the *Court of Queen’s Bench Act, Chapter 196, Regulation 2001*, is responsible for administering the following public sector pension plans:

- Provincial Judges and Masters in Chambers (Registered) Pension Plan (Judges Registered Pension Plan)
- Provincial Judges and Masters in Chambers (Unregistered) Pension Plan (Judges Unregistered Pension Plan)

The Minister, operating under the authority of the *Members of the Legislative Assembly Pension Plan Act, Chapter M-12, Revised Statutes of Alberta 2000*, is responsible for administering the following public sector pension plan:

- Members of the Legislative Assembly Pension Plan (MLAPP)

The Minister, operating under the authority of the *Financial Administration Act, Chapter F-12, Revised Statutes of Alberta 2000* and the *Supplementary Retirement Plan – Retirement Compensation Arrangement Directive (Treasury Board Directive 01/06)*, is responsible for administering the following public sector pension plan:

- Supplementary Retirement Plan for Public Service Managers (SRP)

Specific pensions services required by the pension plans and employers are provided by the Corporation pursuant to a Pensions Services Agreement with the Minister. These services include the collection and recording of contributions, calculating and paying benefits, communicating to plan members and employers, pension plan board support services and risk management services. The Corporation also provides specific services, on a cost-recovery basis, for some employers (Note 6). Refer to Note 16 for further details.

Alberta Pensions Services Corporation

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

These financial statements are prepared by management in accordance with Canadian Public Sector Accounting Standards (PSAS).

Recovery of Costs

All recoveries of costs are reported on the accrual basis of accounting. Accruals for the recovery of costs are recognized as the related expenses are incurred.

Expenses

Expenses are reported on an accrual basis. The cost of all goods consumed and services received during the year are expensed.

Valuation of Financial Assets and Liabilities

The Corporation's financial assets and liabilities are generally measured as follows:

FINANCIAL STATEMENT COMPONENT	MEASUREMENT
Cash and cash equivalents	Cost
Accounts receivable and due from pension plans	Lower of cost or net recoverable value
Accounts payable and accrued liabilities, salaries and benefits	Cost

Financial Assets

Financial assets are the Corporation's financial claims on external organizations and individuals.

CASH AND CASH EQUIVALENTS

Cash is comprised of cash on hand and demand deposits. Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash and that are subject to an insignificant risk of change in value. Cash equivalents are held for the purpose of meeting short-term commitments rather than for investment purposes.

ACCOUNTS RECEIVABLE

Accounts receivable are recognized at the lower of cost or net recoverable value. A valuation allowance is recognized when recovery is uncertain.

Liabilities

Liabilities are present obligations of the Corporation to external organizations and individuals arising from past transactions or events occurring before the year end, the settlement of which is expected to result in future sacrifice of economic benefits. They are recognized when there is an appropriate basis of measurement and management can reasonably estimate the amounts.

Alberta Pensions Services Corporation

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31

Non-financial Assets

Non-financial assets are limited to tangible capital assets and prepaid expenses.

TANGIBLE CAPITAL ASSETS

Tangible capital assets are recognized at cost, which includes amounts that are directly related to the acquisition, design, construction, development, improvement or betterment of the assets and overhead directly attributable to construction and development.

Assets under construction are not amortized until after a project is complete (or substantially complete) and the asset is put into service.

Leases of tangible capital assets which transfer substantially all the benefits and risks of ownership are accounted for as leased tangible capital assets. Capital lease liabilities are recognized at the present value of the minimum lease payments excluding executory costs (e.g. insurance, maintenance costs, etc.). The discount rate used to determine the present value of the lease payments is the lower of the Corporation's rate for incremental borrowing or the interest rate implicit in the lease. Note 12 provides a schedule of repayments and amount of interest on the leases.

The cost, less residual value, of the tangible capital assets is amortized on a straight-line basis over their estimated useful lives as follows:

Leasehold improvements	Refer to (a) below
Compass system (b)	12 years
Furniture and equipment	5 years
Computer hardware and software	3 years
Telephone system	3 years

(a) Amortization is over the term of lease, up to a maximum of five years.

(b) The Compass system is the Corporation's pension administration system.

The threshold for capitalizing software is \$100,000 and \$5,000 for all other items, where these items have a useful life in excess of one year.

Tangible capital assets are written down when conditions indicate that they no longer contribute to the Corporation's ability to provide goods and services, or when the value of future economic benefits associated with the tangible capital assets are less than their net book value.

PREPAID EXPENSES

Prepaid expenses are recognized at cost and amortized based on the terms of the agreement.

Financial Instruments

Financial instruments of the Corporation consist of cash, accounts receivable, due from pension plans, accounts payable and accrued liabilities, accrued salaries and benefits, and accrued vacation pay. Due to their short-term nature, the carrying value of these instruments approximates their fair value.

As the Corporation does not have any transactions involving financial instruments that are classified in the fair value category, there are no remeasurement gains and losses and therefore, a statement of remeasurement gains and losses has not been presented.

Alberta Pensions Services Corporation

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31

Use of Estimates

The preparation of financial statements in conformity with Canadian PSAS requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenues and expenses as well as the disclosure of contingent assets and liabilities in the financial statements. Actual results could differ from these estimates, and the impact of any such differences will be recognized in future periods. The significant area requiring the use of management estimates relates to the estimated useful lives of tangible capital assets.

4. FUTURE ACCOUNTING CHANGES

The Public Sector Accounting Board has issued the following accounting standards:

- **PS 3280 Asset Retirement Obligations (effective April 1, 2021)**

Effective April 1, 2021, this standard provides guidance on how to account for and report liabilities for retirement of tangible capital assets.

- **PS 3400 Revenue (effective April 1, 2022)**

This standard provides guidance on how to account for and report on revenue, and specifically, it addresses revenue arising from exchange transactions and unilateral transactions.

Management is currently assessing the impact of these standards on the financial statements.

5. PLAN SPECIFIC SERVICES

(in thousands)

The Corporation makes certain payments on behalf of the public sector pension boards or committees. These expenses, which are incurred directly by the boards or committees and which the Corporation does not control, are as follows:

Plan	2018	2017
SFPP	\$ 1,503	\$ 1,068
PSPP	1,128	988
MEPP	784	781
LAPP	260	73
PSM(CM)PP	147	27
SRP	71	100
Judges Registered Pension Plan	71	44
Judges Unregistered Pension Plan	12	21
MLAPP	11	8
	\$ 3,987	\$ 3,110

Alberta Pensions Services Corporation

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31

6. EMPLOYER SPECIFIC SERVICES

(in thousands)

In 2008, the Minister approved the Corporation administering post retirement benefits for certain employers who participate in the public sector pension plans. All costs associated with administering these benefits are recovered directly from the specific employers as follows:

Employer	2018	2017
City of Edmonton	\$ 1	\$ 1
EPCOR	1	1
Government of Alberta	1	1
Legislative Assembly / Alberta Health Services	1	1
	4	4
Alberta Investment Management Corporation ¹	35	35
	\$ 39	\$ 39

¹ The Corporation entered into an agreement to provide certain administration services on a cost-recovery basis to Alberta Investment Management Corporation (AIMCo), a related Crown Corporation, in respect of an AIMCo supplementary retirement plan.

7. RECOVERY OF COSTS

(in thousands)

The Corporation charges each public sector pension plan with its proportionate share of the Corporation's operating and plan specific costs based on the allocation formula approved by the Minister. At December 31, 2018, \$4,567 (2017 - \$4,945) is receivable from the plans. The receivable at year end is directly related to the timing of the receipt and disbursement of funds.

Plan	2018	2017
LAPP	\$ 37,370	\$ 36,482
PSPP	13,221	13,038
SFPP	2,605	2,121
MEPP	2,537	2,479
SRP	747	756
PSM(CM)PP	403	282
Judges Registered Pension Plan	210	119
Judges Unregistered Pension Plan	137	96
MLAPP	92	58
	57,322	55,431
Interest and other miscellaneous cost recoveries	34	24
Employer specific services (Note 6)	39	39
	\$ 57,395	\$ 55,494

Alberta Pensions Services Corporation

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31

8. TANGIBLE CAPITAL ASSETS*(in thousands)*

	2018					2017	
	Compass system	Computer hardware & software ²	Leasehold improvements	Furniture & equipment	Telephone system	Total	Total
Estimated useful life	12 years	3 years	Note 3(a)	5 years	3 years		
Historical Cost¹							
Beginning of year	\$ 49,200	\$ 8,202	\$ 6,335	\$ 1,528	\$ 45	\$ 65,310	\$ 64,065
Additions	500	310	-	-	-	810	1,450
Disposals, including write-downs	-	(314)	-	-	-	(314)	(205)
	49,700	8,198	6,335	1,528	45	65,806	65,310
Accumulated Amortization							
Beginning of year	7,837	4,537	6,265	1,414	45	20,098	14,707
Amortization expense	4,080	1,522	38	59	-	5,699	5,596
Effect of disposals, including write-downs	-	(314)	-	-	-	(314)	(205)
	11,917	5,745	6,303	1,473	45	25,483	20,098
Net Book Value at December 31, 2018	\$ 37,783	\$ 2,453	\$ 32	\$ 55	\$ -	\$ 40,323	
Net Book Value at December 31, 2017	\$ 41,363	\$ 3,665	\$ 70	\$ 114	\$ -		\$ 45,212

Financing obtained from the public sector pension plans to acquire tangible capital assets is recognized as spent deferred capital contributions. The recovery of costs is recognized on the same basis as the tangible capital assets are amortized.

¹ Historical cost includes assets under construction at December 31, 2018 totalling \$nil (2017 - \$1,385) comprised of computer hardware and software \$nil (2017 - \$1,385).

² Cost of computer hardware under capital lease is \$199 and related accumulated amortization is \$143.

Alberta Pensions Services Corporation

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31

9. SHARE CAPITAL

	2018	2017
Issued:		
1 common share	\$ 1	\$ 1

An unlimited number of common and preferred shares are authorized with a single common share issued (Note 1).

10. EMPLOYEE FUTURE BENEFITS

(in thousands)

The Corporation participates in three multi-employer defined benefit public sector pension plans: PSPP, MEPP and SRP. Multi-employer plans are accounted for as defined contribution plans. Accordingly, the Corporation does not recognize its share of any plan surplus or deficit. The expense for these pension plans is equivalent to the annual contributions of \$3,364 for the year ended December 31, 2018 (2017 - \$3,611). This amount is included in staff and related expenses.

An actuarial valuation is performed to assess the financial position of the plan and adequacy of the plan funding. At December 31, 2017, PSPP reported a surplus of \$1,275,843 (2016 - surplus of \$302,975), MEPP reported a surplus of \$866,006 (2016 - surplus of \$402,033) and SRP had a deficiency of \$54,984 (2016 - deficiency of \$50,020).

11. RELATED PARTY TRANSACTIONS

(in thousands)

Related parties are those entities consolidated using either line by line or modified equity basis in the Government of Alberta's Consolidated Financial Statements. Related parties also include key management personnel and close family members of those individuals in the Corporation. The Corporation and its employees paid or collected certain taxes and fees set by regulation for premiums, licenses and other charges. These amounts were incurred in the normal course of business, reflect charges applicable to all users, and have been excluded from this schedule.

The Corporation had the following transactions with related parties reported in the Statement of Operations and the Statement of Financial Position at the amount of consideration agreed upon between the related parties:

	2018	2017
EXPENSES		
Data processing, software licences, printing, postage and training	\$ 1,319	\$ 678
Risk management and insurance	134	142
Management training	8	7
	\$ 1,461	\$ 827
Payable to Service Alberta	\$ 392	\$ 263

The Corporation also provided services to the pension plans and pension plan boards and committees as disclosed in Notes 5 and 7. These transactions are in the normal course of operations.

Alberta Pensions Services Corporation

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31

12. CONTRACTUAL OBLIGATIONS

(in thousands)

The Corporation has entered into some multi-year agreements whereby the Corporation will be obligated to make future payments when the goods or services are received. Significant contractual obligations that can be reasonably estimated are summarized as follows:

	Operating ¹	Capital ²	Total
2019	\$ 1,708	\$ 40	\$ 1,748
2020	27	39	66
Thereafter	-	-	-
	\$ 1,735	\$ 79	\$ 1,814

¹ The Corporation entered into a lease agreement for a new facility commencing on September 1, 2009. This agreement is for 10 years, with two optional renewal periods of five years each. As part of the lease agreement, the Corporation received a lease inducement of \$1,868. The inducement is recognized as a reduction in lease expense over the 10-year term of the lease. Refer to Note 16 for further details.

In 2012, the Corporation entered into an agreement for consulting services related to a major pension services systems replacement project which was substantially completed by December 2016. Contractual obligations over the next year total \$319.

² The Corporation has entered into a lease agreement for computer hardware. The capital payments are fixed, equal annual payments at zero percent interest. The present value of these capital payments is recognized as a liability on the Statement of Financial Position.

13. CONTINGENT LIABILITIES

(in thousands)

APS is involved in legal matters where damages are being sought. These matters may give rise to contingent liabilities.

Accruals have been made in specific instances where it is likely that losses will be incurred based on a reasonable estimate. As at December 31, 2018 accruals totaling \$nil (2017: \$nil) have been recognized as a liability.

APS has been named in 12 (2017: 13) claims, the outcomes of which 5 claims are likely and 7 cases are not determinable. In most cases these claims have been filed jointly and severally against APS, one of the Pension Plans and in some cases involve third parties. Of the likely claims, 3 (2017: nil) have a specified amount totaling \$2,518 (2017: \$nil). Of the indeterminate claims, 1 (2017: 1) has a specified amount totaling \$800 (2017: \$800). The remaining 6 (2017: 12) indeterminate claims have no specified amounts. Management estimates that any potential liability relating to these claims would be to the Pension Plan(s) named for any benefit related costs and any potential damages would be covered by the insurance provided by the Alberta Risk Management Fund.

The resolution of indeterminate claims may result in a liability, if any, that may be significantly lower than the claimed amount.

Alberta Pensions Services Corporation

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31

14. SALARIES AND BENEFITS DISCLOSURE

Details of Executive and Board member remuneration are presented in the Compensation Discussion and Analysis section of the Corporation's 2018 Annual Report.

15. FINANCIAL INSTRUMENTS

Liquidity risk is the risk of not being able to meet the Corporation's cash requirements in a timely and cost-effective manner. The Corporation's only source of liquidity is amounts charged to pension plans (Note 7).

It is management's opinion that the Corporation is not exposed to any risk arising from this financial instrument.

16. SUBSEQUENT EVENTS

On February 27, 2019, the Corporation renewed the lease of its current facility for a renewal term of five years to commence on September 1, 2019 subject to the terms and conditions of the lease.

Effective March 1, 2019, the Corporation entered into Pension Services Agreements with the trustees of LAPP, PSPP, and SFPP in accordance with the terms of the *Joint Governance of Public Sector Pension Plans Act* that came into force December 11, 2018. Effective March 1, 2019, a Pension Administration Services Agreement was entered into with the Minister for all plans for which the Minister is the Trustee. The Agreements set forth the terms and conditions of the services provided by the Corporation to the Minister, the pension plans, and the respective pension plan corporations, as applicable.

17. 2018 BUDGET

The Corporation's 2018 budget was approved by the Board of Directors on November 28, 2017.

18. APPROVAL OF FINANCIAL STATEMENTS

The Board approved the financial statements of the Corporation.

PUBLIC INTEREST DISCLOSURE (WHISTLEBLOWER PROTECTION) ACT

Supplementary Information Required by Legislation

For the year ended December 31, 2018
(Unaudited)

Section 32 of the *Public Interest Disclosure (Whistleblower Protection) Act* (the Act) requires the Corporation to report annually on the following parts of the Act:

- a) the number of disclosures received by the designated officers of the Corporation, the number of disclosures acted on and the number of disclosures not acted on by the designated officers;
- b) the number of investigations commenced by the designated officers as a result of the disclosures; and
- c) in the case of an investigation that results in a finding of wrongdoing, a description of the wrongdoing and any recommendations made or corrective measures taken in relation to the wrongdoing or the reasons why no corrective measure was taken.

In 2018, the Corporation's designated officers received five disclosures of wrongdoing pursuant to the Act—these disclosures were alleged contraventions of the *Occupational Health and Safety Act* (changes effective June 1, 2018). The five disclosures were allegations of harassment in the workplace and were investigated under one investigation as the matters were related. The investigation concluded subsequent to year-end, with a finding of wrongdoing for three of the five disclosures; appropriate disciplinary actions commensurate with the results of the investigation have been undertaken. The other two disclosures did not result in a finding of wrongdoing.

CORPORATE INFORMATION

CORPORATE DIRECTORY
(as at December 31, 2018)

DARWIN BOZEK

President and Chief Executive Officer

DAVID BOOTH

Vice President, Information Services
and Technology

TAMARA JANZEN

Vice President, Human Resources
and Organizational Development

TROY MANN

Vice President, Pensions Services

DOUG WOLOSHYN

Vice President, Finance and
Chief Financial Officer

CONTACT INFORMATION

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